

**Return on Investment Program Funding Application (FY 2003 Request)**

This is an electronic template. Please enter your responses on this document. Only electronic submittals of this template will be accepted. Proposals submitted after the designated due date may not receive funding consideration.

FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform a final project outcome audit, after implementation, for all Pooled Technology funded projects.

SECTION I: PROPOSALDate: July 12, 2001Agency Name: Information Technology DepartmentProject Name: Iowa Government HIPAA ComplianceExpenditure Name: N/AAgency Manager: Tom R. ShepherdAgency Manager Phone Number / E-mail: (515) 725-0294 tom.shepherd@itd.state.ia.usExecutive Sponsor (Agency Director or Designee): Richard J. Varn**Request For ROI Application Waiver:**

Agencies are required to complete this funding application when requesting funds for any project, any IT expenditure costing over \$100,000, or any non-routine IT expenditure. If you feel there is compelling reason to waive this requirement, please provide (in the box provided below) a brief description of the project or expenditure, the budget amount, and a rationale for the waiver request. Until a decision is made regarding your waiver request, it is not necessary to complete any other portion of this application. The ITD Enterprise Quality Assurance Office will convey waiver request decisions within five working days of receipt.

Explanation: N/A**A. Project or Expenditure Rationale**

Is this project or expenditure necessary for compliance with a Federal standard, initiative, or statute? ☒ **YES** (If "YES," explain) ☐ **NO**

Explanation: The Federal Government has enacted the Health Information Portability and Accountability Act (HIPAA) on August 17, 2000. The Act states that covered entities (several governmental entities at the state and local level among them) must not use or disclose personally identifiable health information unless they have obtained the appropriate form of permission from the patient or the use or disclosure is expressly allowed by HIPAA. The act covers health care providers, payers, and clearinghouses and has significant impact on a number of state and local government agencies performing these roles. There are significant rules, regulations, policies, and procedures impacting the privacy and security personally identifiable health information. Compliance with the transactions and code sets of the act is required by October 16, 2002. Implementation of the rules on privacy is required by April 14, 2003.

Is this project or expenditure required by State statute? ☐ **YES** (If "YES," explain) ☒ **NO**

Explanation: There are currently no State Laws or rules governing HIPAA, however it is anticipated that there will be a number of administrative rules promulgated to ensure compliance with the federal act.

Does this project or expenditure meet a health, safety or security requirement?

☒ **YES** (If "YES," explain) ☐ **NO**

Explanation: There are a significant number of security requirements dealing with the creation, retention, and use of personally identifiable health information in electronic form.

Is this project or expenditure necessary for compliance with an enterprise technology standard?

☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Is this project or expenditure consistent with meeting the goals and objectives of the State's strategic plans?

☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Is this a "research and development" project or expenditure? ☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

B. Project or Expenditure Summary

1. Provide a pre-project or pre-expenditure (before implementation) and a post-project or post-expenditure (after implementation) description of the impacted system or process. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response: Pre-project - The manner in which state and local government treated personally identifiable health information prior to HIPAA was generally governed by Chapter 22 of the Iowa Code (Open Records Law) and existing healthcare industry standards. This did not ensure the privacy and integrity of the records being generated and stored.

Post-project - The state and local governmentat entities acting in the role of health care providers, payers, and/or clearinghouse must comply with all aspects of HIPAA. To achieve this, it is essential for the governmental entities in Iowa to work through the following issues:

1. HIPAA Education and Awareness
2. Risk Assessment and Gap Analysis to define the scope of the effort required to achieve compliance.
3. Develop cost/benefit strategy and select the tools and methodologies to achieve compliance.
4. Complete the required policies and procedures and implement the tools / methodologies.
5. Perform testing and audits to validate and cerify HIPAA compliance.

To successfully work through this process and achieve the results expected, it is essential to establish a HIPAA project office with a HIPAA compliance officer and legal counsel (and required support staff), identify the executive sponsorship, and ensure organizational awareness.

The implementation of the changes necessary to ensure HIPAA compliance will require reengineering of processes within various governmental agencies as well as cross-functional processes by and between governmental entities.

2. Summarize the extent to which the project or expenditure improves customer service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

Response: The compliance is required by the act (it is not discretionary). By attaining compliance, this will ensure the security and privacy of personally identifiable health information. It also standardized the coding for electronic data interchange nationwide. This ensures the portability of health information maintained in electronic form, resulting in improved healthcare.

3. Identify the main project or expenditure stakeholders and summarize the extent to which each, especially citizens, is impacted. In particular, note if the project or expenditure helps reconnect Iowans to State government.

Response: The stakeholders are:

Citizens - the privacy of citizens is protected by HIPAA. They will also reap the benefit of standardized healthcare coding.

Governmental entities acting as healthcare providers, payers, and clearinghouses. The compliance of governmental entities ensures compatibility with private healthcare entities. The compliance also ensures that governmental entities within Iowa will be able to fully participate in federal funding related to healthcare (i.e. Medicare, Medicaid, research, etc.)

Private healthcare providers, payers, and clearinghouses - Private entities will continue to conduct business with governmental entities in the delivery of healthcare services. Governmental entities will promulgate certain administrative rules and administer federal programs that require compliance with the act.

SECTION II: PROJECT ADMINISTRATION

A. Agency Information

1. **Project Executive Sponsor Responsibilities:** The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Response: No response required.

2. **Organization Skills:**

- a. List the project management skills necessary for successful project implementation
- b. List the project management skills available within the agency
- c. List the source(s) of project management skills lacking within the agency
- d. Summarize relevant agency project management experience and results

Response:

Iowa Government HIPAA Administrator - This position will require experience with information technology concepts and facilities, electronic data storage and retrieval systems, experience with project management and administration for very large projects, data privacy, financial management, and an extensive working knowledge of current HIPAA rules and regulations. These skills are currently available in the Information Technology Department.

Legal Counsel - This position will require extensive knowledge of current HIPAA rules and regulations; experience with compliance with federal laws, rules and regulations; and a working knowledge of OMB Circular A-86 related to federal reimbursement of state programs. These skills are currently available in the Attorney General's Office.

Support staff - Excellent working knowledge of office suite products and project management skills.

B. Project Information

1. **History:**
 - a. Is this project the first part of a future, larger project? If so, please explain.
 - b. Is this project a continuation of a previously begun project? If so, please explain project history, current status, and results.

Response: This is a new project. The initial phase (compliance with the act) will operate through the compliance deadline of April 14, 2003. Beyond that, the project would need to continue to operate to provide ongoing audit, compliance, and complaint processing.

2. **Expectations:** Describe the primary purpose or reason for the project.

Response: To ensure that Iowa state and local governmental entities covered by the act achieve compliance with the transactions and code sets of the act required by October 16, 2002 and compliance with the rules on privacy required by April 14, 2003.

3. **Measures:** Describe the criteria that will be used to determine if the project is successful.

Response: Independent verification and validation of compliance by entities covered by the act within the time specified will provide the necessary metrics for the project. Throughout the project there will be periodic status reports issued measuring the progress of the progress against the project plan goals and milestones.

4. Environment: List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, etc.).

Response: The participants include all state and local governmental entities currently developing, storing, updating, or in any way using personally identifiable healthcare information in electronic form; citizens, associations, and businesses affected by or having input/comment on government's implementation of the requirements of the act.

5. Risk: Describe the project risks which may be internal or external to State government, i.e. implementing versus not implementing project, changing technology, potential cost overruns, changing citizen demand or need, etc.

Response: The risk of missing the compliance date may result in:

- * a loss of confidence in government by its constituents;
- * legal and economic sanctions by the federal government;
- * litigation against the state and/or local government by citizens, businesses, and/or associations.
- * extensive non-reimbursable cost overruns in the attainment of compliance with the act.

6. Security / Data Integrity / Data Accuracy / Information Privacy
- a. List the security requirements of the project
 - b. Describe how the security requirements will be integrated into the project and tested
 - c. Describe what measures will be taken to insure data integrity, data accuracy and information privacy.

Response: HIPAA contains extensive, stringent security, privacy, and data integrity requirements that is an order of magnitude beyond anything currently in existence in state and local government. This includes, but is not limited to: access controls, audit controls, authorization controls, data authentication, entity authentication, safeguards and assurances on patient access to records, disclosure logs, data communications encryption and access, network communications audit trails and event reporting, electronic signature capability, data release mechanisms that provide for the minimum amount of information to be released to particular authorized users for specific purposes, an ongoing "privacy manager" function to manage regulatory issues and handle complaints, the enactment and enforcement of civil penalties against health plans/providers/clearinghouses that violate the standards promulgated under the act, and criminal penalties for violations of the act.

7. Project Schedule
Describe general time lines, resources, tasks, checkpoints, deliverables, responsible parties, etc.

Response:

1. HIPAA Education and Awareness - Ongoing
2. Risk Assessment and Gap Analysis to define the scope of the effort required to achieve compliance. - To be completed by 2QFY02.
3. Develop cost/benefit strategy and select the tools and methodologies to achieve compliance. To be completed by 3QFY02.
4. Complete the required policies and procedures and implement the tools / methodologies.
5. Perform testing and audits to validate and certify HIPAA compliance. - For code sets and transactions to be completed by October 16, 2002; for Privacy Rules to be completed by April 14, 2003.

This will require adequate staffing (as enumerated elsewhere in this document); an extensive project plan and reporting structure; and executive sponsorship of the HIPAA Project Office.

SECTION III: TECHNOLOGY (In written detail, describe the following)

A. Current Technology Environment

1. Software (Client Side / Server Side / Midrange / Mainframe):

- a. Application software
- b. Operating system software
- c. Major interfaces to other systems, both internal and external

Response: N/A

2. Hardware (Client Side / Server Side / Mid-range / Mainframe):

- a. Platform, operating system
- b. Storage and physical environment
- c. Connectivity and bandwidth
- d. Logical and physical connectivity
- e. Major interfaces to other systems, both internal and external

Response: N/A

B. Proposed Technology Environment

1. Software (Client Side / Server side / Mid-range / Mainframe)

- a. Application software
- b. Operating system software
- c. Major interfaces to other systems, both internal and external
- d. General parameters if specific parameters are unknown or to be determined

Response: See requirements in Section II, Number 6 of this document. There will be disparate software running on disparate systems.

2. Hardware (Client Side / Server Side / Mid-range / Mainframe)

- a. Platform, operating system
- b. Storage and physical environment
- c. Connectivity and Bandwidth
- d. Logical and physical connectivity
- e. Major interfaces to other systems, both internal and external
- f. General parameters if specific parameters are unknown or to be determined

Response: See requirements in Section II, Number 6 of this document. There will be disparate hardware running disparate software.

C. Data Elements

If the project creates a new database, provide a description of the data elements.

Response: All data elements related to personally identifiable healthcare information.

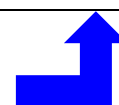
SECTION IV: Financial Analysis

A. Budget: Enter figures and calculate (see formula below) Total Annual Prorated Cost (State Share).

$$\left[\left(\frac{\text{Budget Amount}}{\text{Useful Life}} \right) \times \% \text{ State Share} \right] + (\text{Annual Ongoing Cost} \times \% \text{ State Share}) = \text{Annual Prorated Cost}$$

Budget Line Items	Budget Amount (1 st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1 st Year)	% State Share	Annual Prorated Cost
Agency Staff	\$100000	1	0%	\$150000	0%	\$0
Software	\$130000	4	0%	\$19500	0%	\$0
Hardware	\$	3	%	\$	%	\$
Training	\$60000	4	0%	\$15000	0%	\$0
Facilities	\$12000	1	0%	\$12000	0%	\$0
Professional Services	\$600000	4	0%	\$80000	0%	\$0
ITD Services	\$400000	4	0%	\$200000	0%	\$0
Supplies, Maint, etc.	\$25000	1	0%	\$12500	0%	\$0
Other (Specify)	\$100000	1	%	\$80000	%	\$
Totals	\$1427000	-----	-----	\$569000	-----	\$0

Transfer this amount to the ROI Financial Worksheet, item "D" on page 12.



B. Funding: Enter data or provide response as requested

1. This is (pick one): ☒ A Pooled Technology Fund or Reengineering Fund Request
☐ An Agency IT Expenditure or Budget Request (General Fund, Road Funds, etc)
☐ Other – Specify:

2. On a fiscal year basis, enter the estimated cost by funding source?

	FY03		FY04		FY05	
	Cost (\$)	% Total Cost	Cost (\$)	% Total Cost	Cost (\$)	% Total Cost
State General Fund	\$100000	18%	\$100000	46%	\$100000	46%
Pooled Tech. Fund	\$100000	18%	\$	%	\$	%
Federal Funds	\$369000	64%	\$120000	54%	\$120000	54%
Local Gov. Funds	\$	%	\$	%	\$	%
Grant or Private Funds	\$	%	\$	%	\$	%
Other Funds (Specify)	\$	%	\$	%	\$	%
Total Project Cost	\$569000	100%	\$220000	100%	\$220000	100%

If applicable, summarize prior fiscal year funding experience for the project / expenditure.

Response: Please note: It is anticipated that the Federal Government will provide reimbursement for HIPAA related expenses. Agency activities (initially funded through appropriations) and Pooled Technology funds would be needed to provide adequate cash flow in order to commence the activities required to qualify for reimbursement.

1. On a fiscal year basis, how much of the total (\$ amount and %) project / expenditure cost would be absorbed by your agency from normal operating budgets (all funding sources)?

Response: See previous response.

2. Identify, list, and quantify all new annual ongoing (maintenance, staffing, etc.) related costs (State \$s) that will be incurred after implementation or expenditure.

Response: It is estimated that there would be software maintenance costs (maintenance to software companies and services performed by the Information Technology Department) and ongoing compliance/auditing totaling \$299,500 annually.

C. ROI Financial Worksheet: Respond to the following and transfer data to the ROI Financial Worksheet (see IVC11) as necessary:

1. Annual Pre-Project Cost – Quantify all actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation.

Response: N/A

2. Annual Post-Project Cost – Quantify all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

Response: N/A

3. State Government Benefit -- Subtract the total “Annual Post-Project Cost” from the total “Annual Pre-Project Cost.” This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

Response: N/A

4. Citizen Benefit – Quantify the estimated annual value of the project to Iowa citizens. This includes the “hard cost” value of avoiding expenses (“hidden taxes”) related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a “rule of thumb,” use a value of \$10 per hour for citizen time savings and \$.325 per mile for travel cost savings.

Response: There will be intangible citizen benefit from the enhanced security and privacy required by the act.

5. Opportunity Value/Risk or Loss Avoidance Benefit – Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response: Compliance with HIPAA would assure the State qualifies for \$100M to \$120M annually in Federal healthcare related program funds.

6. Total Annual Project Benefit -- Add the values of all annual benefit categories.

Response: \$100M to \$120M annually

7. Total Annual Prorated Cost – It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project

elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related. Completing Section IV-A, Project Budget of the evaluation document will provide all the necessary information for this item.

Response: N/A - It is anticipated that the federal government will ultimately reimburse HIPAA related costs.

8. Benefit / Cost Ratio_– Divide the “Total Annual Project Benefit” by the “Total Annual Project Cost.” If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

Response: N/A

9. ROI -- Subtract the “Total Annual Project Cost” from the “Total Annual Project Benefit” and divide by the amount of the requested State IT project funds.

Response: N/A

10. Benefits Not Readily Quantifiable -- List the project benefits which are not readily quantifiable (i.e. IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.). Rate the importance of these benefits on a “1 – 10” basis, with “10” being of highest importance. Check the “Benefits Not Readily Quantifiable” box in the applicable row.

Response: The benefits in this category are as follows:
Portability of Personally Identifiable Healthcare Information in Electronic Form - 8
Privacy of Personally Identifiable Healthcare Information in Electronic Form - 10
Security Personally Identifiable Healthcare Information in Electronic Form - 9

11. ROI Financial Worksheet**Annual Pre-Project Cost - How You Perform The Function(s) Now**

FTE Cost (salary plus benefits):	\$
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$
A. Total Annual Pre-Project Cost:	\$

Annual Post-Project Cost – How You Propose to Perform the Function(s)

FTE Cost:	\$
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$
B. Total Annual Post-Project Cost:	\$
State Government Benefit (= A-B):	\$

Annual Benefit Summary

State Government Benefit:	\$
Citizen Benefit:	\$
Opportunity Value or Risk/Loss Avoidance Benefit:	\$
C. Total Annual Project Benefit:	\$
D. Annual Prorated Cost (SECTION IV-A):	\$
Benefit / Cost Ratio: (C / D) =	
Return On Investment (ROI): (C – D) / Requested Project Funds) x 100 =	%

☐ **Benefits Not Readily Quantifiable**

Section V: ITC Project Evaluation Criteria

Criteria and Location in Project Evaluation Document		Points
1.	Is the project a statutory requirement; legal requirement; federal or state mandate; health, safety or security requirement or issue; and/or required for compliance with the enterprise technology standards? Location: Section I-A	15
2.	Will the project improve customer service? Location: Section I-B.2	15
3.	Does the project have a direct impact on citizens? To what extent does the project help reconnect state government with lowans? Location: Section I-B.3	10
4.	Does the project provide a sufficient tangible and/or intangible return on investment? Will it generate savings or income? Location: Section IV-C	10
5.	Does the project make use of information technology and its practical application in reengineering traditional government processes consistent with the goals and objectives of the state's strategic plans? Location: Section I-B.1	10
6.	Risk: What are the risks associated with the project? Such risks may include those internal and external to state government, the risk of doing a project, the risk of not doing a project, and the risks associated with changing technologies, potential cost overruns, and changing citizen demands and needs. Location: Section II-B.5	10
7.	Is this funding required to continue a project that was begun prior to the year funding is being requested for and does it have proven past performance? Is the funding part of a multi-year strategy? Location: Section II-B1, IVB2	10
8.	Will the project be for only one agency, multiple agencies, or the state government enterprise? Location: Section I-B3, IIB4	10
9.	Has the applicant maximized their own and other resources in the project? Is alternative funding unavailable for this project? (If no other funding available, project will not be completed without Pooled Technology funding) Location: Section IV-B.2, IV-B.3	5
10.	What is the credibility of the requester based on past performance on other projects? Location: Section II-A.2.d	5
Total		100